Before the Federal Communications Commission Washington, D.C. 20554

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File No. BNP-20000201AHC		
	File No. BNP-20000201ADK	

MEMORANDUM OPINION AND ORDER

Adopted: February 24, 2003 Released: March 5, 2003

By the Commission:

1. The Commission has before it two Applications for Review filed on February 26, 2001, by Nelson Enterprises, Inc., ("Nelson") and Green Valley Broadcasters, Inc. ("Green Valley"). Nelson and Green Valley (collectively, "Petitioners") are under common ownership. Petitioners request Commission review of two January 25, 2001, staff decisions by the Deputy Chief, Audio Services Division, Mass Media Bureau ("Staff Decisions"). The Staff Decisions denied two October 23, 2000, Petitions for Reconsideration of the September 22, 2000 Public Notice ("Singleton Public Notice") that identified those applications filed in the AM Auction No. 32 proceeding that were not mutually exclusive. Petitioners challenged the Singleton Public Notice because it failed to list the captioned

¹ Nelson and Green Valley are commonly-owned entities. As joint tenants, Larry and Pamela Nelson hold 97.5% of the voting stock of Green Valley, and 94% of the voting stock of Nelson. The two entities also share common officers. *See* FCC Form 175, Application to Participate in an FCC Auction, Exhibit A, filed by Green Valley and Nelson in AM Auction No. 32. Nelson's application is included in MX Group AM 25; Green Valley's application is included in MX Group AM 04.

² See Letters to John S. Neely, Esq., Audio Services Division, Mass Media Bureau (Jan. 25, 2001).

³ See AM Auction No. 32 Non-Mutually Exclusive Applications, Mass Media Bureau Announces Form 301 Application Deadline and Ten-Day Petition to Deny Period, Public Notice, 15 FCC Rcd 18004 (2000) ("Singleton Public Notice"). A "singleton" is an application that is not mutually exclusive with any other application submitted during the relevant filing window.

applications for new AM stations in Plano, Illinois and Sahuarita, Arizona (the "Applications"). We find no error in the *Staff Decisions* and deny the Applications for Review.

I. Background

- 2. On November 19, 1999, the Mass Media Bureau and the Wireless Telecommunications Bureau (collectively, the "Bureaus") announced a five-day period, from January 24, 2000, to January 28, 2000, for the filing of applications for new AM stations and major modifications to authorized AM stations (the "Filing Window"). The September 22, 2000, Singleton Public Notice did not list the Applications. On October 23, 2000, Petitioners sought reconsideration of the exclusion of the Applications from this public notice. The Bureaus subsequently released an October 27, 2000, Public Notice, which listed all mutually exclusive AM applications, including the Applications. The Staff Decisions denied reconsideration of the exclusion of the Applications from the Singleton Public Notice and reaffirmed the correctness of the procedures used to determine nighttime mutual exclusivity.
- 3. The *MX Public Notice* specifically noted that the staff applied Sections 73.37, 73.182, and 73.183(b)(1) of the Commission's technical rules to make mutual exclusivity determinations. Neither the Plano nor the Sahuarita application complied with the nighttime protections set forth in Section 73.182. In MX Group AM 25, Nelson's proposed Plano nighttime facility would enter the fifty percent exclusion root-sum-square ("RSS") limit of D&E's nighttime proposal for a new station in Baxter, Minnesota, *i.e.*, cause nighttime interference to the D&E proposal. In MX Group 04, Green Valley's proposed Sahuarita nighttime facilities would enter the twenty five percent exclusion RSS limit of Kemp's proposed Las Vegas facility, *i.e.*, cause nighttime interference to the Kemp proposal. Green Valley's proposed Sahuarita nighttime facility also would enter the twenty five percent exclusion RSS limit of a proposal filed by Nelson Multimedia, Inc.⁷ in Las Vegas, Nevada, *i.e.*, cause nighttime interference to the

⁴ AM Auction Filing Window and Application Freeze; Notice and Filing Requirements Regarding January 24 – 28, 2000 Window for Certain AM Construction Permits; Notice Regarding Freeze on the Acceptance of AM Minor Change Construction Permits from December 24, 1999 to January 21, 2000, Public Notice, 14 FCC Rcd 19490 (1999) ("Filing Window Public Notice"). The Filing Window was subsequently extended to February 1, 2000. AM Auction Filing Window and Application Freeze Extended to February 1, 2000, Public Notice, 15 FCC Rcd 1910 (2000). Since any mutually exclusive application filed during the window would be subject to the Commission's auction procedures, applicants were required to file electronically FCC Form 175. To permit the staff to determine mutual exclusivities among applicants, applicants were also required to file Section I and the Section III-A Tech Box of FCC Form 301, Application for Construction Permit.

⁵ See AM Auction No. 32 Mutually Exclusive Applicants Subject to Auction; Settlement Period for Groups Which Include a Major Modification Applicant; Filing Period for Section 307(b) Submissions, Public Notice, 15 FCC Red 20449 (2000) ("MX Public Notice"). The MX Public Notice listed four applications, including Nelson's, in the MX Group AM 25 and three applications, including Green Valley's, in MX Group AM 04. For certain specified groups, the MX Public Notice also announced both a settlement period for mutually exclusive AM applicants and a period for filing 47 U.S.C. § 307(b) supplementary information.

⁶ See 47 C.F.R. §§ 73.37, 73.182, 73.183(b)(1). See MX Public Notice, 15 FCC Rcd at 20449-50, n.3.

⁷ Nelson Multimedia, Inc. is commonly owned with Nelson and Green Valley. The FCC Form 175 filed by Nelson Multimedia, Inc. indicates that, as joint tenants, Larry and Pamela Nelson hold 78% of the voting stock. Douglas Nelson and Jennifer Nelson are each 10% voting shareholders.

Nelson Multimedia, Inc. proposal. Both Las Vegas proposals would enter the fifty percent exclusion RSS limit of the Sahuarita nighttime proposal, *i.e.*, cause nighttime interference to the Sahuarita proposal.

Petitioners filed timely Applications for Review of the Staff Decisions. They assert that the staff improperly applied 47 C.F.R. Section 73.182 by considering the effect of nighttime interference caused and received by simultaneously filed AM auction Filing Window proposals. Specifically, they argue that the AM nighttime interference protection standards of 47 C.F.R. Section 73.182 only prohibit interference to existing stations and are inapplicable to concurrently-filed applications for new facilities.⁸ Petitioners contend that the rule "does not limit the amount of interference an applicant for a new service may receive or accept from an existing station, as long as the applicant proposes interference-free nighttime service to its community of license." They rely heavily on the Commission's use of the word "station" in the rule and order codifying this requirement to limit the rule's reach to existing stations and to exclude window-filed applications. Petitioners assert that each of their proposals would provide interference-free service to the specified cities of license and would not cause any interference to any authorized station. Accordingly, Petitioners contend that the staff's mutual exclusivity determinations are erroneous. They argue that the purpose behind the rule is to protect existing service areas, in which listenership has developed, from interference, and no listenership patterns have yet developed in the case of an application for a new station. Finally, Petitioners argue that the staff's expansive application of Section 73.182 ensures mutual exclusivity and, thus, circumvents the Commission's statutory obligation to avoid mutual exclusivity in licensing proceedings. 11

II. Discussion

5. Prior to conducting an auction for a specific service, the "Commission must determine which applications are mutually exclusive." In the context of an AM auction, mutual exclusivity is determined by an evaluation of engineering data provided in conjunction with the FCC Form 175.¹³

⁸ Nelson Application for Review at 5, Green Valley Application for Review at 3-4.

⁹ *Id*.

¹⁰ See Review of the Technical Assignment Criteria for the AM Broadcast Service, 6 FCC Rcd 6273 (1991) ("AM Improvement Report and Order"), recon. granted in part and denied in part, 8 FCC Rcd 3250 (1993) ("AM Improvement Reconsideration Order") (collectively "AM Improvement Proceeding").

¹¹ 47 U.S.C. § 309(j)(6)(E). *Green Valley Application for Review* at 5-7; *Nelson Application for Review* at 5-9. Further, Green Valley contends that it would have discussed the matter with Kemp, and proposed that the applicants agree to receive nighttime interference from one another, but for the prohibition on settlement discussions for MX Group AM 04 as stated in the *MX Public Notice*. In contrast, MX Group AM 25 was an AM application group that included at least one AM major modification application. These applicants were entitled to settle or otherwise resolve their mutual exclusivity by means of engineering solutions. *See* 47 C.F.R. § 73.5002(d). *See also supra* note 5 and *infra* notes 38 and 39. A March 26, 2001, *Amendment to Application for Review* indicated that the parties were unable to reach an accord and no settlement was submitted.

¹² See Broadcast First Report and Order, 13 FCC Rcd at 15975.

¹³ Id. See also n.4, supra.

Applicants must specify a frequency upon which they seek to operate in accordance with the Commission's existing interference standards. Neither the interference standards nor the method previously used to determine mutual exclusivity was altered by the Commission's implementation of competitive bidding procedures in the *Broadcast First Report and Order*.¹⁴

- 6. As noted in the *MX Public Notice*, the staff employed technical standards adopted in the 1991 *AM Improvement Report and Order* to determine mutual exclusivity among the AM applications. ¹⁵ The *AM Improvement Proceeding* "was the culmination of an omnibus rulemaking begun in 1987 to review all AM technical and legal standards, rules and polices with the intent of making needed revisions and devising new approaches that would help achieve a significantly improved AM service." ¹⁶ AM radio was the first broadcast service in the United States, but over the years channel congestion and interference had dramatically increased in the AM band. ¹⁷ Of particular concern was listener displeasure with the poor quality of AM nighttime reception. ¹⁸ The Commission was "compelled to reverse the trend of increasing interference," and the modifications made in the *AM Improvement Report and Order* were intended to "enhance the technical characteristics of AM broadcasting and thus provide the potential for improving AM service in the near future as well as in the long term."
- 7. In the AM service, mutual exclusivity may occur during three operational timeframes: daytime, critical hours, ²⁰ and nighttime. ²¹ Prohibited daytime contour overlap is determined by Section 73.37 and critical hours mutual exclusivity by Sections 73.37 and 73.187. Finally, *AM Improvement Report and Order* establishes three classes of nighttime interference contributors: (a) a high-level interferer is defined as a station that contributes to the fifty percent exclusion root-sum-square ("RSS") nighttime limit of another station; (b) a mid-level interferer is defined as a station that enters the twenty-five but not fifty percent RSS of another station and (c) a low-level interferer is defined as a station that does not enter into the twenty-five percent RSS of another station. ²² Concluding that extreme levels of interference have led to a deterioration of the AM service, the Commission established a strict new

¹⁹ *Id.* at 6276, 6285.

¹⁴ Broadcast First Report and Order, 13 FCC Rcd at 15975, citing AM interference rules found in 47 C.F.R. §§ 73.37, 73.182 and 73.187. While neither the interference standards, nor the method used to determine mutual exclusivity was altered by the transition to an auction licensing scheme, the Commission did replace the two-step, sequential "A" and "B" cut-off list application filing system with a uniform application window filing approach. Broadcast First Report and Order, 13 FCC Rcd at 15972-15974.

¹⁵ See MX Public Notice, 15 FCC Rcd at 20449, n. 3, citing AM Improvement Report and Order.

¹⁶ AM Improvement Reconsideration Order, 8 FCC Rcd at 3250.

¹⁷ AM Improvement Report and Order, 6 FCC Rcd at 6274-6275.

¹⁸ *Id.* at 6292.

²⁰ 47 C.F.R. § 73.14 defines "critical hours" as the two-hour period immediately following local sunrise and the two hour period immediately preceding local sunset.

 $^{^{21}}$ See generally 47 C.F.R. \S 73.14 for AM broadcast definitions.

²² The 50% RSS limit defines the nighttime interference free service contour. The 25% RSS limit, based on a running total of interferers, defines a level of protection from other stations or applications. *See infra* n.25.

standard, stating "[A] new station may be authorized only if it qualifies as a low interferer with respect to *any other station* on the same or first adjacent channel."²³ The Commission specifically adopted the twenty-five percent exclusion RSS limit to "prevent continually increasing interference in the existing AM band [and] also reduce, in some cases, existing levels of interference."²⁴ The nighttime protection requirements are codified in Section 73.182.²⁵ This calculation must be completed separately for each technical proposal. It is possible for one proposed facility to cause interference to, but not receive interference from, another proposed facility under this methodology.

- At issue in this case is whether the staff properly applied Section 73.182(k) interference standards to establish mutual exclusivity between window-filed applications, *i.e.*, whether the rule limits the interference a new station application may cause to another application filed in the same AM window. Petitioners assert that Section 73.182 does not impose any limits, arguing that the rule, by its terms, only applies to interference to stations and that term does not include applications for stations. They contend that the distinct requirement to provide a nighttime interference-free ("NIF") signal to a proposed community of license is the only limiting interference standard, and therefore the only standard for determining nighttime mutual exclusivity among applications. We conclude that the staff action is fully consistent with the rules, the strict interference limitations established in the *AM Improvement Report and Order*, and our long-standing methodology of relying on protection requirements to determine mutual exclusivity between applications. Petitioners misconstrue a drafting convention as a dramatic and unexplained shift in nighttime interference protection standards that would effectively undermine the clearly stated purposes of the revised AM rules.
- 9. The staff properly relied on Section 73.182(k)(2) for making mutual exclusivity determinations. This subsection establishes that the RSS methodology should be applied for the "calculation of nighttime interference for non-coverage purposes." Unlike all other AM and FM protection standards, this rule is asymmetrical. It permits a new station or modification applicant to accept the existing level of interference but generally prohibits any such applicant from entering into, *i.e.*, raising, the twenty-five percent limit of any other station. Petitioners are incorrect, however, when they claim that the rules protect only existing "stations." Section 73.3571(h)(4)(iii) requires an applicant to protect previously filed applications and establishes cut-off rights against subsequently filed applications.
 - 10. It is well established that mutual exclusivity arises when grant of one application would

This method of calculating nighttime interference assesses the cumulative effects of skywave interference to other stations and considers an individual signal in conjunction with other interfering signals. Nighttime interfering signals from all co-channel and first-adjacent channel stations are considered in decreasing order, and the square-root of the sum of the squares of interfering signals is calculated. When the next contributor is less than 25 percent of the running RSS, it and all lesser interferers are excluded from the sum and the calculation process stops. By this method, the staff is able to determine which applications will cause unacceptable nighttime interference to other stations. *See id.* at 6293, n.32.

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²³ AM Improvement Report and Order, 6 FCC Rcd at 6296 (emphasis added).

²⁴ *Id.* at 6294.

²⁶ 47 C.F.R. § 73.182(k)(2).

preclude grant of a second.²⁷ In the instant case, the staff analyzed the daytime,²⁸ critical hours, and nighttime facilities specified in each application against every other application filed in the window. We find that the staff properly determined that the Nelson Plano and D & E Baxter applications are mutually exclusive and that Green Valley's Sahuarita application is mutually exclusive to each of the MX Group AM 04 Las Vegas applications.

- 11. Petitioners' approach of ignoring the nighttime interference contributions of other applications filed in the window would result, as here, in the acceptance of applications that would have been rejected had they been filed on consecutive days outside a window filing period. It is simply untenable, either as a matter of logic or interference policy, that the Commission would create an exception to its nighttime interference rules for applications filed during the same window or would establish without explicit justification a policy that treats identical interference-creating proposals in radically differing ways based on whether an application was filed in a window. We find no basis in either the *AM Improvement Proceeding* or the adoption of window filing auction procedures to infer an intent to adopt such an approach.
- 12. Mutual exclusivity and community coverage are important but distinct licensing standards. An AM station's 0.5 mV/m daytime contour must be protected.²⁹ In addition, the station must place a 5.0 mV/m daytime "city grade" contour over its community of license.³⁰ At night, an AM station must cover eighty percent of its community of license with its NIF contour.³¹ We agree with Petitioners that two applications are mutually exclusive when one application would raise a second application's NIF limit so that the latter technical proposal would no longer provide interference-free service to its community of license. It does not follow, however, that this is the only technical standard for establishing nighttime mutual exclusivity.
- 13. Finally, we take this opportunity to clarify one nighttime processing issue not raised by the Petitioners but which could be viewed as relevant to the processing of MX Group AM 25. At issue is

²⁷ See e.g., Ashbacker v. FCC, 326 U.S. 327, 328-30 (1945) (applicants sought to use the same spectrum to operate their respective broadcast stations, the simultaneous operation of which would result in intolerable interference. Grant of one mutually exclusive application for broadcast license without affording a hearing on the other deprives the loser of opportunity for hearing provided by the Act); see also 47 C.F.R. § 101.45(a) (establishing that two applications are mutually exclusive in the Fixed Microwave Services when the grant of one "would effectively preclude by reason of harmful electrical interference . . . the grant of one or more applications" as determined by § 101.105 standards); see also 47 C.F.R. §§ 21.31, 22.131, 24.431, and 90.7.

Petitioners assume without argument that window-filed applications must satisfy the daytime protection requirements of Section 73.37. Green Valley, for example, submitted ground conductivity measurements in an attempt to demonstrate that prohibited daytime contour overlap, as defined by Section 73.37, would not occur between two applications in MX Group AM 04. However, both Section 73.37 and 73.182 define objectionable interference in terms of specified strength signals from "stations." Petitioners fail to explain the basis for distinguishing between daytime and nighttime interference rules for the purpose of making mutual exclusivity determinations among window-filed applications.

²⁹ 47 C.F.R. § 73.37.

³⁰ 47 C.F.R. § 73.24(i).

³¹ *Id*.

whether applications should not be treated as mutually exclusive when they could be granted in one sequence under Section 73.182(k) but not when a different application is treated as filed first, and accorded Section 73.3571 cut-off protections against other window-filed proposals. In MX Group AM 25, the Baxter proposal could be granted as a later-filed application. However, if the Baxter application is deemed to have been filed earlier, the Plano proposal would be subject to dismissal as a "high interferer." Neither the rules nor the *AM Improvement Proceeding* permit or contemplate a procedure that would allow the staff to create a processing queue designed to provide or withhold protection rights to facilitate as many grants as possible. Such an approach may also conflict with the Baxter applicant's *Ashbacker* rights.³² As filed, the Baxter application would have a NIF limit of 8.4 mV/m. However, if the contributions of both Plano and KKOJ, which filed a mutually exclusive major modification application in the window, are included, Baxter's nighttime limit would increase to 11.0 mV/m. We are unaware of any rule or policy that would permit the Commission to impose an involuntary service reduction or accept a voluntary agreement to accept levels of interference not permitted under the rules based on a *post hoc* theory of sequential submissions (and therefore, of putative cut-off rights) among window-filed applications.

- Green Valley asserts that "[t]he Letter Ruling states that the sole reason why GVB's 14 application was excluded from the Singleton List was due to nighttime interference computed according to the standards set forth in Section 73.182 of the Commission's rules."³³ Green Valley misinterprets the Staff Decision which did not reach the issue of daytime interference between the Green Valley Sahuarita and Kemp Las Vegas applications due to the magnitude of the nighttime interference. In fact, the daytime and nighttime facilities specified in the Green Valley Sahuarita and Kemp Las Vegas applications are mutually exclusive. Green Valley's October 23, 2000, petition for reconsideration included field strength measurements performed on two operating AM stations in Las Vegas and concluded that use of the measurements would eliminate the daytime conflict between the Kemp and Sahuarita applications. Green Valley's field strength measurements, filed well after the close of the AM auction window, constitute an untimely technical amendment.³⁴ In any event, the measurements are unacceptable. Specifically, stations KKVV and KBAD, the two Las Vegas AM stations from which Green Valley took its measurements, are both approximately eight miles from the exact site proposed in Kemp's Las Vegas application. Long-standing policy requires that the measurement data be collected from sites no more than two miles from the proposed site.³
- Moreover, we disagree with Petitioners' contention that the staff's analysis circumvented the Commission's obligation, under 47 U.S.C. Section 309(j)(6)(E), to avoid mutual exclusivity. As noted above, the staff followed routine broadcast processing policies and applied the relevant AM technical rules in making its mutual exclusivity determinations. The Court has upheld this approach. "[Section 309(j)(6)(E)] instructs the agency, in order to avoid mutual exclusivity, to take certain steps ...

³⁴ See Broadcast First Report and Order, 13 FCC Rcd at 15976.

³² See generally Ashbacker v. FCC, 326 U.S. 327. In essence, this type of processing scheme would effectively deprive the Baxter applicant of the opportunity to pursue its original proposal through the auction process.

³³ *Green Valley Application for Review* at 1.

³⁵ See e.g., Nevada County Broadcasters, 68 F.C.C. 2d 60 (1978) (longstanding policy permits parties to use measurement data collected from sites within two miles of the proposed site).

within the framework of existing policies."³⁶ The Commission has determined that the strict AM interference regime better serves the public interest. Thus, the staff action was not in conflict with Section 309(j)(6)(E).³⁷ Accordingly, we reject Petitioners' argument that Section 309(j)(6)(E) requires the Commission to disregard its technical rule provisions or deviate from its processing standards in an effort to avoid mutual exclusivity.

16. Finally, on July 10, 2002, Green Valley filed a Petition for Relief, requesting permission to "approach Kemp, for the purpose of negotiating and reaching" a settlement. The Commission rejected the settlement policy advocated by Green Valley in the *Broadcast Memorandum Opinion and Order*, wherein it declined to adopt a wide-ranging exception to the well-established auction anticollusion rule in the broadcast context, concluding "we are not compelled by statute to allow competing broadcast applicants to resolve their mutual exclusivities by engineering or other means following the submission of short form applications." Green Valley's late filed pleading presents no new or compelling reasons to consider a waiver of the rule or the Commission's determination in this regard, and we therefore dismiss the Petition for Relief. 40

³⁶ DIRECTV v. FCC, 110 F.3d 816, 827-28 (D.C. Cir. 1997).

³⁷ DIRECTV v. FCC, 110 F.3d at 828. See also Orion Communications Limited v. FCC, 213 F.3d 761 (D.C. Cir. 2000) (Commission not required under section 309(j)(6)(E) to allow bidders to use negotiated settlements to reduce mutual exclusivity); Benkelman Telephone Company, et al., 220 F.3d 601, 606 (D.C. Cir. 2000) (Commission's authority to adopt new geographic area licensing scheme for certain paging licenses was not foreclosed by its section 309(j)(6)(E) obligation).

The Commission's decision to prohibit mutually exclusive applicants for new facilities in MX Group AM 04 from discussing or negotiating settlement agreements after submitting FCC Form 175 applications to participate in an auction was to maintain the effectiveness of the Commission's anti-collusion rule. The prohibition of collusion set forth in 47 C.F.R. § 1.2105(c) applies to all broadcast service auctions. 47 C.F.R. § 73.5002(d). 47 C.F.R. § 1.2105(c) provides that, after the short form filing deadline, applicants generally are prohibited from discussing the substance of their bids or bidding strategies, *or discussing or negotiating settlement agreements*, with other applicants that have applied to bid on the same licenses or permits.

³⁹ Broadcast Auction Memorandum Opinion and Order, 14 FCC Rcd 8724, 8757 (1999). See also Orion, 213 F.3d at 763 (Commission's application of the anti-collusion rule is reasonable in light of Section 309(j)(6)(E)). Notwithstanding the general applicability of the rule to broadcast auctions, however, the Commission provided for several limited exceptions, such as for application groups containing a major modification application. Nevertheless, the limited exceptions to the anti-collusion rule are inapplicable with respect to Green Valley's MX Group AM 04.

⁴⁰ See Northeast Cellular Telephone Co. v. FCC, 897 F.2d 1164, 1166 (D.C. Cir. 1990), citing WAIT Radio v. FCC, 418 F.2d 1153, 1157-59 (D.C. Cir. 1969) (petitioner must show special circumstances to qualify for waiver of a rule).

III. Conclusion

17. Accordingly, IT IS ORDERED that the Application for Review filed February 26, 2001, by Nelson Enterprises, Inc. IS DENIED. IT IS FURTHER ORDERED that the Application for Review filed February 26, 2001, by Green Valley Broadcasters, Inc. IS DENIED. IT IS FURTHER ORDERED that the July 10, 2002, Petition for Relief is DISMISSED.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch Secretary